

Message Text

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ACTION EB-11

INFO OCT-01 EA-11 ISO-00 COME-00 TRSE-00 GSA-02 AGR-20

OMB-01 CIEP-03 STR-08 CIAE-00 DODE-00 PM-07 H-03

INR-11 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 DRC-01 /133 W
----- 129271

R 260825Z JUL 74

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 7580

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

LIMITED OFFICIAL USE KUALA LUMPUR 3549

EO 11652: N/A

TAGS: EAGR, MY

SUBJ: MALAYSIA ANNOUNCES NATURAL RUBBER STOCK ADJUSTMENT SCHEME

REF: STATE 159260 (NOTAL)

1. BEGIN LIMITED OFFICIAL USE. SUMMARY: GOM ANNOUNCES RUBBER STOCK ADJUSTMENT SCHEME WHEREBY MAJOR RUBBER PRODUCERS AND EXPORTERS WILL INCREASE STOCKS END OF JULY TEN PERCENT ABOVE END OF JUNE LEVELS. SCHEME TO CONTINUE UNTIL UNSPECIFIED PRICE LEVEL OBTAINED FOR NATURAL RUBBER. ACCORDING MINISTRY OF PRIMARY INDUSTRIES, GOM CONSULTED IN ADVANCE WITH MAJOR PRODUCERS AND EXPORTERS WHO AGREED TO COOPERATE IN SCHEME. EMBASSY ASSESSES MOVE AS BASICALLY PSYCHOLOGICAL ATTEMPT BOOST SAGGING RUBBER MARKET PRICES OVER SHORT INTERIM PERIOD UNTIL EXPECTED INCREASES DEMAND OCCUR IN EUROPE AND UNITED STATES. END SUMMARY. END LOU.

2. BEGIN UNCLASSIFIED. MINISTER OF PRIMARY INDUSTRIES DATUK TAIB MAHMUD ANNOUNCED 22 JULY THAT GOM WORKING LIMITED OFFICIAL USE

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OUT WITH MAJOR PRODUCERS AND EXPORTERS VOLUNTARY NATURAL

RUBBER (NR) STOCK ADJUSTMENT SCHEME IN "ATTEMPT TO EVEN OUT SUPPLY AND DEMAND SITUATION." UNDER SCHEME MAJOR RUBBER ESTATES AND EXPORTERS WILL INCREASE THEIR STOCKS END OF JULY ABOUT TEN PERCENT ABOVE JUNE LEVELS. SCHEME WILL NOT AFFECT SMALLHOLDERS' NR PRODUCTION AS DEALERS WILL CONTINUE BUYING THEIR TOTAL RUBBER OUTPUT.

3. TAIB EXPRESSED CONCERN ABOUT RAPID RATE DECLINE IN NR PRICES OVER PAST FEW WEEKS DUE SLUGGISH DEMAND OVERSEAS, PARTICULARLY EUROPE AND UNITED STATES. TAIB DESCRIBED PRESENT SITUATION AS NOT SO DRASTIC AS TO CALL FOR GOM INTERVENTION. STOCKS MAINTAINED BY RUBBER ESTATES AND DEALERS UNDER PROPOSED SCHEME WOULD BE ON VOLUNTARY BASIS AND NOT STOCKPILE INVOLVING GOM.

4. ON 24 JULY TAIB PUBLICLY ANNOUNCED THAT STOCK ADJUSTMENT SCHEME WILL CONTINUE FOR AS LONG AS NECESSARY AND UNTIL CERTAIN PRICE LEVEL ACHIEVED FOR NATURAL RUBBER. DECLINED TO SPECIFY TARGET PRICE BUT INDICATED CURRENT PRICES SATISFACTORY (RUBBER PRICE CLOSED AT 172.50 CENTS MALAYSIAN P/KILO 24 JULY BUT FELL TO 168 CENTS MALAYSIAN P/KILO ON 25 JULY).

5. TAIB ALSO HINTED THAILAND AND INDONESIA MIGHT ADOPT SIMILAR STOCK ADJUSTMENT SCHEME AND SAID MINISTERIAL CONFERENCE OF ASSOCIATION OF NATURAL RUBBER PRODUCERS, TO BE HELD NEXT MARCH OR APRIL, WILL DISCUSS SETTING UP REGIONAL NR BUFFER STOCK. INDIVIDUAL COUNTRIES MAY FINANCE STOCK BASED ON THEIR PRODUCTION OR CENTRAL BODY SIMILAR INTERNATIONAL TIN COUNCIL MAY BE ESTABLISHED. END UNCLASSIFIED.

6. BEGIN LIMITED OFFICIAL USE. COMMENT: MINISTRY OF PRIMARY INDUSTRIES OFFICIAL TOLD EMBOFF THAT MAJOR RUBBER PRODUCERS AND EXPORTERS HAD BEEN CONSULTED IN ADVANCE AND HAVE AGREED COOPERATE IN SCHEME. COULD NOT GIVE FIGURE ON VOLUME REPRESENTED BY TEN PERCENT INCREASE NR STOCKS. WOULD NOT SAY WHAT NR PRICE OR RANGE OF PRICES CONSIDERED BY GOM TO BE SATISFACTORY. ALSO SAYS GOM PLANS CONSULT WITH OTHER RUBBER PRODUCING LIMITED OFFICIAL USE

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NATIONS ON POSSIBLE REGIONAL STOCKPILING ALTHOUGH THIS WILL TAKE LONG PERIOD OF TIME. SECGEN, ASSOCIATION OF NATURAL RUBBER PRODUCERS COMMENTED THAT STOCK ADJUSTMENT SCHEME MORE PSYCHOLOGICAL THAN REAL. GOM HAS TAKEN SIMILAR ACTION PREVIOUSLY, FOR EXAMPLE IN 1972, IN EFFORT BOOST SAGGING NR PRICES. REGARDING REGIONAL NR STOCKPILE, SECGEN SAYS THIS BEING STUDIED BY ASSOCIATION, BUT WILL TAKE TIME AND NO AGREEMENT BY ANY

OF OTHER RUBBER PRODUCERS EXPECTED NEAR FUTURE. END
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UNDERHILL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: RUBBER, EXPORTS, PUBLIC DISCLOSURE, LAW, PRICES, STOCKS (SECURITIES)
Control Number: n/a
Copy: SINGLE
Draft Date: 26 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: kelleyw0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974KUALA03549
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740203-0134
From: KUALA LUMPUR
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740715/aaaaamjf.tel
Line Count: 118
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 159260 (NOTAL)
Review Action: RELEASED, APPROVED
Review Authority: kelleyw0
Review Comment: n/a
Review Content Flags:
Review Date: 24 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 JUL 2002 by elyme>; APPROVED <27 FEB 2003 by kelleyw0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MALAYSIA ANNOUNCES NATURAL RUBBER STOCK ADJUSTMENT SCHEME
TAGS: EAGR, MY
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005